Macronix International Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Nine Months Ended September 30, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Macronix International Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Macronix International Co., Ltd. (the Company) and its subsidiaries (the Group) as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months ended September 30, 2018 and 2017 and for the nine months ended September 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as stated in the following paragraph, we conducted our reviews in accordance with the Statement on Auditing Standards No.65"Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Modified Conclusion

As disclosed in Note 14 to the consolidated financial statements, the financial statements of some insignificant subsidiaries included in the consolidated financial statements were not reviewed. As of September 30, 2018 and 2017, the combined total assets of these insignificant subsidiaries were NT$3,509,479 thousand and NT$3,382,436 thousand, respectively, representing 6.17% and 8.18%, respectively, of the corresponding consolidated total assets, and the combined total liabilities of these insignificant subsidiaries were NT$306,885 thousand and NT$279,780 thousand, respectively, representing 1.10% and 1.42%, respectively, of the corresponding consolidated total liabilities. For the three months ended September 30, 2018 and 2017, the combined comprehensive income and loss of these subsidiaries amounted to NT$6,005 thousand and NT$272,695 thousand, respectively, representing 0.30% and 12.06%, respectively, of the corresponding consolidated total comprehensive income and loss, and for the nine months ended September 2018 and 2017, the combined comprehensive income and loss of these insignificant subsidiaries amounted to NT$(121,390) thousand and NT$486,885 thousand, respectively, representing (2.10)% and 15.19% of the corresponding consolidated total comprehensive income and loss. These amounts as well as the related financial information of the insignificant subsidiaries as disclosed in Note 40 to the consolidated financial statements were based on the insignificant subsidiaries' unreviewed financial statements for the same reporting periods as those of the Company.

Modified Conclusion

Based on our reviews, except as discussed in the preceding paragraph whereby the amounts related to the insignificant subsidiaries are based on unreviewed financial statements of the subsidiaries, and except for the effects of the related adjustments, if any, as might have been made had we applied review procedures to the financial statements of the insignificant subsidiaries referred to in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as of September 30, 2018 and 2017, its consolidated financial performance for the three months and the nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 22, 2018

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' review report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' review report and consolidated financial statements shall prevail.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	September 30, 2018 (Reviewed)		December 31, 2017 (Audited)		September 30, 2017 (Reviewed)	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 35)	$ 10,501,562	18	$ 8,633,183	20	$ 6,882,717	17
Trade receivables, net (Notes 4, 12 and 35)	4,368,316	8	4,978,143	11	4,177,782	10
Receivables from related parties, net (Notes 35 and 36)	2,235,335	4	732,888	2	2,120,721	5
Other receivables (Notes 12 and 35)	214,879	-	132,004	-	171,145	-
Inventories (Note 13)	17,159,712	30	9,872,170	22	9,388,935	23
Financial assets measured at amortized cost - current (Notes 4, 8 and 35)	26,616	-	-	-	-	-
Other current assets (Notes 17 and 19)	428,531	1	184,168	1	171,653	-
Total current assets	34,934,951	61	24,532,556	56	22,912,953	55
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income (FVTOCI) - non-current (Notes 4, 7 and 35)	2,129,357	4	-	-	-	-
Available-for-sale financial assets - non-current (Notes 4, 9 and 35)	-	-	2,053,087	5	1,603,436	4
Financial assets measured at cost - non-current (Notes 4, 10 and 35)	-	-	90,641	-	91,181	-
Financial assets measured at amortized cost - non-current (Notes 4, 8 and 35)	22,180	-	-	-	-	-
Debt investments with no active market - non-current (Notes 11 and 35)	-	-	27,390	-	27,306	-
Property, plant and equipment (Notes 15 and 37)	18,388,994	32	16,258,622	37	15,490,334	38
Intangible assets (Note 16)	40,705	-	45,808	-	50,197	-
Deferred tax assets (Note 29)	1,184,026	2	997,664	2	996,677	3
Other financial assets - non-current (Notes 4, 18, 35 and 37)	188,167	1	168,505	-	168,762	-
Other non-current assets (Notes 17 and 19)	18,696	-	19,626	-	19,695	-
Total non-current assets	21,972,125	39	19,661,343	44	18,447,588	45
TOTAL	$ 56,907,076	100	$ 44,193,899	100	$ 41,360,541	100
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Contract liabilities (Note 27)	$ 10,398	-	$ -	-	$ -	-
Notes payable and trade payables (Notes 21 and 35)	3,009,588	5	2,787,531	6	2,733,235	7
Payables to related parties (Notes 35 and 36)	9,237,150	16	3,414,139	8	3,737,959	9
Accrued employees' compensation and remuneration of directors (Notes 28, 35 and 36)	1,753,147	3	1,130,162	3	602,626	1
Payables for purchase of equipment (Note 35)	633,428	1	673,604	1	302,883	1
Other payables (Notes 22 and 35)	1,374,292	3	1,469,264	3	1,212,448	3
Other payables to related parties (Notes 35 and 36)	-	-	-	-	4,930	-
Current tax liabilities (Notes 4 and 29)	192,699	-	2,030	-	5,138	-
Provisions - current (Notes 4 and 24)	30,862	-	311,027	1	242,123	1
Current portion of long-term borrowings (Notes 20, 35 and 37)	1,985,593	4	3,178,666	7	8,233,416	20
Other current liabilities (Note 23)	523,034	1	93,446	-	94,928	-
Total current liabilities	18,750,191	33	13,059,869	29	17,169,686	42
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 20, 35 and 37)	7,503,701	13	4,859,729	11	962,641	2
Net defined benefit liabilities (Notes 4 and 25)	1,561,049	3	1,610,438	4	1,518,375	4
Other non-current liabilities (Note 23)	10,757	-	7,516	-	5,383	-
Total non-current liabilities	9,075,507	16	6,477,683	15	2,486,399	6
Total liabilities	27,825,698	49	19,537,552	44	19,656,085	48
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 26)						
Share capital						
Ordinary shares	18,405,740	32	18,049,385	41	18,050,281	44
Share capital to be cancelled	(2,821)	-	(1,627)	-	(897)	-
Total share capital	18,402,919	32	18,047,758	41	18,049,384	44
Capital surplus	(145,756)	-	(207,088)	-	(225,848)	(1)
Retained earnings						
Legal reserve	541,360	1	-	-	-	-
Special reserve	74,275	-	-	-	-	-
Unappropriated earnings	10,762,889	19	5,413,602	12	2,942,231	7
Total retained earnings	11,378,524	20	5,413,602	12	2,942,231	7
Other equity	(395,661)	(1)	1,560,451	3	1,096,979	3
Treasury shares	(159,061)	-	(159,061)	-	(159,061)	(1)
Equity attributable to shareholders of the parent	29,080,965	51	24,655,662	56	21,703,685	52
NON-CONTROLLING INTERESTS (Notes 4 and 26)	413	-	685	-	771	-
Total equity	29,081,378	51	24,656,347	56	21,704,456	52
TOTAL	$ 56,907,076	100	$ 44,193,899	100	$ 41,360,541	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated October 22, 2018)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 27 and 36)	$ 10,030,250	100	$ 10,467,282	100	$ 27,971,707	100	$ 23,640,244	100
OPERATING COSTS (Notes 13, 25, 28 and 36)	6,484,505	65	6,445,720	62	16,580,590	59	15,587,608	66
GROSS PROFIT	3,545,745	35	4,021,562	38	11,391,117	41	8,052,636	34
OPERATING EXPENSES (Notes 25, 28 and 36)								
Selling and marketing expenses	307,502	3	291,256	3	911,625	3	804,100	3
General and administrative expenses	409,547	4	448,061	4	1,277,709	5	1,112,902	5
Research and development expenses	1,065,783	10	1,184,110	11	3,306,330	12	3,038,620	13
Total operating expenses	1,782,832	17	1,923,427	18	5,495,664	20	4,955,622	21
INCOME FROM OPERATIONS	1,762,913	18	2,098,135	20	5,895,453	21	3,097,014	13
NON-OPERATING INCOME AND EXPENSES								
Other income (Note 28)	92,793	1	70,905	1	163,088	-	129,555	1
Other gains and losses (Note 28)	95,473	1	9,531	-	195,676	1	(108,055)	-
Finance costs (Note 28)	(33,103)	(1)	(50,578)	(1)	(107,669)	-	(164,406)	(1)
Total non-operating income and expenses	155,163	1	29,858	-	251,095	1	(142,906)	-
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,918,076	19	2,127,993	20	6,146,548	22	2,954,108	13
INCOME TAX EXPENSE (Notes 4 and 29)	(1,914)	-	(4,954)	-	(21,102)	-	(12,331)	-
NET INCOME FOR THE PERIOD	1,916,162	19	2,123,039	20	6,125,446	22	2,941,777	13
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized income (loss) on investments in equity instruments at FVTOCI (Notes 26 and 35)	66,274	1	-	-	(418,774)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 26)	(6,075)	-	2,780	-	71,675	-	(60,121)	-
Unrealized gain on available-for-sale financial assets (Note 26)	-	-	134,889	2	-	-	323,790	1
Other comprehensive income (loss) for the period, net of income tax	60,199	1	137,669	2	(347,099)	(1)	263,669	1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	$ 1,976,361	20	$ 2,260,708	22	$ 5,778,347	21	$ 3,205,446	14
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	$ 1,916,130	19	$ 2,123,322	20	$ 6,125,524	22	$ 2,942,231	12
Non-controlling interests	32	-	(283)	-	(78)	-	(454)	-
	$ 1,916,162	19	$ 2,123,039	20	$ 6,125,446	22	$ 2,941,777	12

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	$ 1,976,331	20	$ 2,260,993	22	$ 5,778,426	21	$ 3,205,907	14
Non-controlling interests	30	-	(285)	-	(79)	-	(461)	-
	$ 1,976,361	20	$ 2,260,708	22	$ 5,778,347	21	$ 3,205,446	14
EARNINGS PER SHARE (Note 30)								
Basic	$ 1.05		$ 1.18		$ 3.37		$ 1.64	
Diluted	$ 1.02		$ 1.15		$ 3.25		$ 1.59	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated October 22, 2018) (Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent														
	Share Capital				Retained Earnings			Other Equity							
	Shares (In Thousands)	Ordinary Shares	Share Capital to be Cancelled	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Employees Compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	3,615,354	$ 36,153,535	$ (7,654)	$ 340,713	$ -	$ -	$ (18,651,070)	$ (8,565)	$ 956,774	$ -	$ (306,958)	$ (159,061)	$ 18,317,714	$ 1,686	$ 18,319,400
Net income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	2,942,231	-	-	-	-	-	2,942,231	(454)	2,941,777
Other comprehensive income (loss) for the nine months ended September 30, 2017, net of income tax	-	-	-	-	-	-	-	(60,114)	323,790	-	-	-	263,676	(5)	263,671
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	-	2,942,231	(60,114)	323,790	-	-	-	3,205,907	(459)	3,205,448
Capital reduction to cover accumulated deficit	(1,865,107)	(18,651,070)	-	-	-	-	18,651,070	-	-	-	-	-	-	-	-
Issue of restricted shares to employees	57,475	574,756	-	(574,756)	-	-	-	-	-	-	-	-	-	-	-
Compensation costs of restricted shares for employees	-	-	-	(12,335)	-	-	-	-	-	-	192,052	-	179,717	-	179,717
Retirement of restricted shares for employees	(2,694)	(26,940)	6,757	20,183	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	347	-	-	-	-	-	-	-	-	347	(456)	(109)
BALANCE AT SEPTEMBER 30, 2017	1,805,028	$ 18,050,281	$ (897)	$ (225,848)	$ -	$ -	$ 2,942,231	$ (68,679)	$ 1,280,564	$ -	$ (114,906)	$ (159,061)	$ 21,703,685	$ 771	$ 21,704,456
BALANCE AT JANUARY 1, 2018	1,804,939	$ 18,049,385	$ (1,627)	$ (207,088)	$ -	$ -	$ 5,413,602	$ (85,183)	$ 1,731,234	$ -	$ (85,600)	$ (159,061)	$ 24,655,662	$ 685	$ 24,656,347
Effect of retrospective application	-	-	-	-	-	-	2,158,766	(146,758)	(1,731,234)	112,903	-	-	393,677	-	393,677
ADJUSTED BALANCE AT JANUARY 1, 2018	1,804,939	18,049,385	(1,627)	(207,088)	-	-	7,572,368	(231,941)	-	112,903	(85,600)	(159,061)	25,049,339	685	25,050,024
Legal reserve	-	-	-	-	541,360	-	(541,360)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	74,275	(74,275)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - $1 per share	-	-	-	-	-	-	(1,804,776)	-	-	-	-	-	(1,804,776)	-	(1,804,776)
Share dividends distributed by the Company - $0.2 per share	36,096	360,955	-	-	-	-	(360,955)	-	-	-	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	6,125,524	-	-	-	-	-	6,125,524	(78)	6,125,446
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	-	71,675	-	(418,774)	-	-	(347,099)	1	(347,098)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	6,125,524	71,675	-	(418,774)	-	-	5,778,425	(77)	5,778,348
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(99,070)	-	-	99,070	-	-	-	-	-
Compensation costs of restricted shares for employees	-	-	-	53,619	-	-	(54,567)	-	-	-	57,006	-	56,058	-	56,058
Retirement of restricted shares for employees	(460)	(4,600)	(1,194)	5,794	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	1,919	-	-	-	-	-	-	-	-	1,919	(195)	1,724
BALANCE AT SEPTEMBER 30, 2018	1,840,575	$ 18,405,740	$ (2,821)	$ (145,756)	$ 541,360	$ 74,275	$ 10,762,889	$ (160,266)	$ -	$ (206,801)	$ (28,594)	$ (159,061)	$ 29,080,965	$ 413	$ 29,081,378

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated October 22, 2018)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,146,548	$ 2,954,108
Adjustments for:		
Depreciation expense	1,524,030	1,458,096
Amortization expense	20,351	21,533
Finance costs	107,669	164,406
Interest income	(30,619)	(18,150)
Dividend income	(105,698)	(86,724)
Compensation cost of employee restricted shares	56,058	179,717
Gain on disposal of property, plant and equipment	(17,919)	(9,768)
Gain on disposal of intangible assets	-	(8,333)
Loss on disposal of investments	-	2,517
Impairment loss on non-financial assets	-	1,485
Net (gain) loss on foreign currency exchange	(96,351)	83,528
Changes in operating assets and liabilities		
Trade receivables	642,346	(1,090,404)
Receivables from related parties	(1,533,537)	(1,600,850)
Other receivables	(82,093)	(50,322)
Inventories	(7,287,542)	(2,301,518)
Other current assets	(244,359)	31,261
Contract liabilities	(42,285)	-
Notes payable and trade payables	219,511	148,802
Payables to related parties	5,854,934	2,575,907
Payables for employees' compensation and directors' remuneration	622,985	602,626
Other payables	(76,240)	32,281
Other payables to related parties	-	4,839
Provisions	(29,323)	19,097
Other current liabilities	212,996	39,131
Net defined benefit liabilities	(49,389)	(14,912)
Cash generated from operations	5,812,073	3,138,353
Interest received	29,839	17,710
Dividends received	105,695	86,001
Interest paid	(118,794)	(166,824)
Income tax paid	(16,795)	(9,845)
Net cash generated from operating activities	5,812,018	3,065,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the disposal of financial assets at fair value through other comprehensive income	43,582	-
Payments for financial assets measured at amortized cost	(22,965)	-
Payments for debt investments with no active market	-	(26,916)

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2018	**2017**
Disposal of subsidiaries	$ -	$ (3,892)
Payments for property, plant and equipment	(3,710,445)	(1,341,577)
Proceeds from the disposal of property, plant and equipment	18,985	19,340
Increase in refundable deposits	(71)	(1,610)
Decrease in refundable deposits	215	1,153
Payments for intangible assets	(15,298)	(48,062)
Disposal of intangible assets	-	13,000
(Increase) decrease in other financial assets	(19,772)	6,234
Decrease in other non-current assets	930	678
Net cash used in investing activities	(3,704,839)	(1,381,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	-	971,597
Repayments of short-term borrowings	-	(1,371,597)
Proceeds from long-term borrowings	4,200,000	5,115,006
Repayments of long-term borrowings	(2,751,845)	(5,835,965)
Proceeds from guarantee deposits received	3,153	3,455
Refund of guarantee deposits received	(210)	(887)
Increase (decrease) in other non-current liabilities	22	(99)
Distribution of cash dividends	(1,804,776)	-
Increase in non-controlling interests	2,363	5,707
Net cash used in financing activities	(351,293)	(1,112,783)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	112,493	(56,582)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,868,379	514,378
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	8,633,183	6,368,339
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 10,501,562	$ 6,882,717

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche review report dated October 22, 2018) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)
(Reviewed, Not Audited)

1. GENERAL INFORMATION

Macronix International Co., Ltd. (the Company) was incorporated in the Republic of China (ROC) on December 9, 1989 and commenced business in December 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits (ICs) and memory chips. The Company also performs design, research and development, consultation and trade of relevant products.

The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since March 15, 1995.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company's board of directors and issued on October 22, 2018.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDED AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC would not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement" and makes consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for the classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The Company retrospectively adopted the classification, measurement and impairment of financial assets and postponed the adoption of general hedge accounting. IFRS 9 does not apply to financial assets that were derecognized before January 1, 2018.

<u>Classification, measurement and impairment of financial assets and financial liabilities</u>

The Company elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets and financial liabilities under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application.

The impact on measurement categories, carrying amounts and related reconciliation for each class of the Company's financial assets and financial liabilities as of January 1, 2018 when retrospectively applying IFRS 9 is detailed below:

Financial Asset	Measurement Category IAS 39	Measurement Category IFRS 9	Carrying Amount IAS 39	Carrying Amount IFRS 9
Equity securities	Cost - non-current	Fair value through other comprehensive income - non-current	$ 90,641	$ 484,318
	Available-for-sale	Fair value through other comprehensive income - non-current	2,053,087	2,053,087
Time deposits with original maturities exceeding 1 year	Debt investments with no active market	Amortized cost	27,390	27,390
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	4,978,143	4,978,143

	Carrying Amount as of December 31, 2017 (IAS 39)	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018 (IFRS 9)
Impact on assets, liabilities and equity			
Financial assets at FVTOCI - non-current	$ -	$ 2,537,405	$ 2,537,405
Available-for-sale financial assets - non-current	2,053,087	(2,053,087)	-
Financial assets measured at amortized cost - non-current	-	27,390	27,390
Financial assets measured at amortized cost - non-current	90,641	(90,641)	-
Debt investments with no active market - non-current	27,390	(27,390)	-
Others	42,022,781	-	42,022,781
Total assets	$ 44,193,899	$ 393,677	$ 44,587,576
Total liabilities	$ 19,537,552	$ -	$ 19,537,552
Retained earnings	$ 5,413,602	$ 2,158,766	$ 7,572,368
Other equity	1,560,451	(1,765,089)	(204,638)
Others	17,682,294	-	17,682,294
Total equity	$ 24,656,347	$ 393,677	$ 25,050,024

As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Company elected to designate all of these investments as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of NT$1,731,234 thousand is reclassified and resulted in an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI.

For those equity investments previously classified as financial assets measured at cost under IAS 39, since these investments were designated as at FVTOCI under IFRS 9, the value of such investments should be remeasured at fair value, and the adjustments resulted in an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of NT$393,677 thousand.

For those equity investments previously classified as available-for-sale financial assets (including financial assets measured at cost) under IAS 39, the impairment losses that the Company had recognized have been accumulated in retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, the adjustments resulted in an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of NT$112,903 thousand and an increase in retained earnings of NT$2,158,766 thousand on January 1, 2018.

Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as financial assets measured at amortized cost with an assessment of expected credit losses under IFRS 9, because these investments were held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

The Group, under IFRS 15, obtains control of the specified goods or services before they are transferred to the customers and, therefore, is acting as a principal in the transaction. Prior to the application of IFRS 15, the Group considered whether the goods or services exposed the Group to significant risks and rewards as a principal in the transaction.

If the contract is non-cancellable, the Group will recognize a receivable and a contract liability when it has an unconditional right to the consideration in accordance with IFRS 15. Prior to the application of IFRS 15, consideration was recognized as deferred revenue when received.

For sales with a right of return, the Group recognizes a refund liability (recognized as other liabilities) when recognizing revenue. Prior to the application of IFRS 15, return provisions were recognized when recognizing revenue.

The Company elected only to retrospectively apply IFRS 15 to contracts that were not completed as of January 1, 2018 and elected not to restate prior reporting periods with the cumulative effect of the initial application recognized at the date of initial application.

	Carrying Amount as of December 31, 2017	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2018**
Provisions - current	$ 311,027	$ (250,842)	$ 60,185
Contract liabilities - current	-	52,683	52,683
Other current liabilities	104,034	198,159	302,193
Impact on total liabilities		$ -	

The impact of continuing the application of IAS 18 instead of IFRS 15 for the nine months ended September 30, 2018 is detailed as follows:

Impact on assets, liabilities and equity

	September 30, 2018
Decrease in contract liabilities - current	$ (10,398)
Increase in provisions - current	329,111
Decrease in other current liabilities	(318,713)
Increase (decrease) in liabilities	$ -

b. The IFRSs issued by IASB and endorsed by FSC which will be effective in 2019

New, Revised or Amended Standards and Interpretations (the "New IFRSs")	Effective Date Announced by the IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

<u>The Group as lessor</u>

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleases its leasehold park dormitory to a third party. Such a sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendment shall be applied prospectively.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and defined benefit liabilities.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 14 and Table 5 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other important accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

1) Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in the tax rate resulting from a change in the tax law is recognized in accordance with the accounting for the transaction itself for which the tax consequence arises from and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

3) Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis. All purchases and sales for financial assets of the same classification should be adopted consistently in the same manner.

a) Measurement category

2018

Financial assets are classified into the following categories: Financial assets measured at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets measured at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets measured at amortized cost, including cash and cash equivalents and trade receivables measured at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include time deposits with original maturities, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

ii Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on the disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

i Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 35.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by the delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and fair value of financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iii Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalents, other receivables and long-term receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

<u>2018</u>

The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost (including trade receivables).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on such a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

<u>2017</u>

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as trade receivables, such financial assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable or other receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable trade receivables that are written off against the allowance account.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2017.

6. CASH AND CASH EQUIVALENTS

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 148	$ 188	$ 121
Checking accounts and demand deposits	7,091,656	6,137,700	5,671,480
Cash equivalents			
Time deposits	3,409,758	2,495,295	1,211,116
	$ 10,501,562	$ 8,633,183	$ 6,882,717

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	September 30, 2018
Non-current	
Investments in equity instruments at FVTOCI	
Domestic investments	
Listed shares	$ 1,376,454
Unlisted shares	326,243
	1,702,697
Foreign investments	
Listed shares	388,500
Unlisted shares	38,160
	$ 2,129,357

These investments in equity instruments are not held for trading. Instead, they are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3, 9 and 10 for information relating to their reclassification and comparative information for 2017.

The Group sold their holdings of ordinary shares in Key ASIC Bhd at a fair value $43,582 thousand in July and August 2018. The related unrealized loss on financial assets at FVTOCI of NT$99,070 thousand under other equity was transferred to retained earnings.

The Group recognized dividend income for the three months ended September 30, 2018 and for the nine months ended September 30, 2018 of NT$62,051 thousand and NT$105,698 thousand, respectively, which were related to the carrying amount of NT$1,702,697 thousand in investments held as of September 30, 2018.

8. FINANCIAL ASSETS MEASURED AT AMORTIZED COST - 2018

	September 30, 2018
Current	
Time deposits with original maturities exceeding 1 year	$ 26,616
Non-current	
Time deposits with original maturities exceeding 1 year	$ 22,180

As of September 30, 2018, the interest rate of time deposits with original maturities exceeding 1 year was 2.73%. The deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017	September 30, 2017
Non-current		
Domestic investments		
Listed shares	$ 1,411,374	$ 1,031,215
Foreign investments		
Listed shares	641,713	572,221
	$ 2,053,087	$ 1,603,436

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017	September 30, 2017
Non-current		
Domestic unlisted ordinary shares	$ 58,500	$ 58,500
Overseas unlisted ordinary shares	32,141	32,681
	$ 90,641	$ 91,181
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 90,641	$ 91,181

Management believed that the fair value of the above unlisted equity investments held by the Group could not be reliably measured because the range of reasonable fair value estimates was so significant. Therefore, the fair values were measured at cost less impairment at the end of the reporting period.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017	September 30, 2017
Non-current		
Time deposits with original maturities exceeding 1 year	$ 27,390	$ 27,306

As of December 31 and September 30, 2017, the interest rate of time deposits with original maturities exceeding 1 year was 2.73%.

12. TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Trade receivables			
Total amount of trade receivables measured at amortized cost	$ 4,385,128	$ 4,994,955	$ 4,195,242
Less: Allowance for impairment loss	(16,812)	(16,812)	(17,460)
	$ 4,368,316	$ 4,978,143	$ 4,177,782
Other receivables			
Tax receivables	$ 171,036	$ 123,558	$ 126,765
Others	43,843	8,446	44,380
	$ 214,879	$ 132,004	$ 171,145

a. Trade receivables

2018

The average credit period for sales of goods was 60 days.

In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considers any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

The Group applies the simplified approach to provisions for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of the conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to the different segments of the Group's customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery of the receivable. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables which are due. Where recoveries are made, they are recognized in profit or loss.

The aging of trade receivables is as follows:

	September 30, 2018
Neither past due nor impaired	$ 4,231,524
Past due but not impaired	
Within 60 days	124,328
61-120 days	71
Over 120 days	12,393
	$ 4,368,316

The above aging schedule was based on the past due days from the end of the credit term.

As of September 30, 2018, the Group did not hold collateral for most of its receivables.

The movements of the allowance for doubtful trade receivables are as follows:

	September 30, 2018
Balance at January 1 and September 30, 2018	$ 16,812

2017

The average credit period of sales of goods was 60 days. In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

Before trading with any new customer, the Group assesses the potential customer's credit quality and defines credit limits using the internal credit scoring system.

For the trade receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss, because there was no significant change in credit quality and the amounts were still considered recoverable.

The aging of trade receivables is as follows:

	December 31, 2017	September 30, 2017
Neither past due nor impaired	$ 4,836,700	$ 4,106,221
Past due but not impaired		
Within 60 days	134,372	63,470
61-120 days	5,343	5,372
Over 121 days	1,728	2,719
	$ 4,978,143	$ 4,177,782

The above aging schedule was based on past due days from the end of the credit term.

As of December 31 and September 30, 2017, the Group did not hold collateral for most of the receivables.

The movements of the allowance for doubtful trade receivables are as follows:

	Individually Assessed for Impairment	Assembly Assessed for Impairment	Total
Balance at January 1 and September 30, 2017	$ 17,460	$ -	$ 17,460

The Group recognized an impairment loss on trade receivables amounting to NT$16,812 thousand as of September 30, 2017. These amounts mainly related to customers that were experiencing severe financial difficulties. The Group did not hold any collateral over these balances.

The carrying amount of trade receivables pledged as collateral for borrowings is disclosed in Note 37.

b. Other receivables

No allowance for impairment loss of other receivables was recognized since the other receivables of the Group were not past due and the Group assessed that there was no uncertainty of recoverability.

13. INVENTORIES

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods and merchandise	$ 1,538,148	$ 923,904	$ 1,030,956
Work in progress	14,734,402	8,361,909	7,795,312
Raw materials	887,162	586,357	562,667
	$ 17,159,712	$ 9,872,170	$ 9,388,935

The reversal of inventory write-downs resulting from the increase in net realizable value was included in the cost of goods sold as below.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Inventory write-downs recognized (reversed)	$ 563,139	$ (37,912)	$1,121,345	$ (505,043)

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

As of September 30, 2018, the Company has direct and indirect majority ownership in the following subsidiaries: Run Hong Investment, Ltd. (Run Hong), Hui Ying Investment, Ltd. (Hui Ying), Mxtran Inc. (Mxtran), Macronix America Inc. (MXA), Macronix (BVI) Co., Ltd. (MXBVI), Mxtran Holding (Samoa) Co., Ltd. (Mxtran Samoa), Mxtran (H.K.) Holding Co., Limited (Mxtran HK), New Trend Technology Inc. (NTTI), Macronix (Asia) Limited (MX Asia), Macronix Pte. Ltd. (MPL), Macronix Europe NV. (MXE), Macronix (Hong Kong) Co., Limited (MXHK) and Macronix Microelectronics (Suzhou) Co., Ltd. (MXm).

			% of Ownership		
Investor	**Investee**	**Nature of Activities**	**September 30, 2018**	**December 31, 2017**	**September 30, 2017**
The Company	Run Hong	Investment company	100.00	100.00	100.00
The Company	Hui Ying	Investment company	100.00	100.00	100.00
The Company and Run Hong	Mxtran	Combi-SIM IC and related services	94.84	94.84	94.84
The Company	MXA	Sales and marketing	100.00	100.00	100.00
The Company	MXBVI	Investment holding company	100.00	100.00	100.00
Mxtran	Mxtran Samoa	Investment holding company	100.00	100.00	100.00
Mxtran Samoa	Mxtran HK	Investment holding company	100.00	100.00	100.00
MXBVI	NTTI	IC design	100.00	100.00	100.00
MXBVI	MX Asia	Investment holding company	100.00	100.00	100.00
MXBVI	MPL	After-sales service	100.00	100.00	100.00
MXBVI	MXE	After-sales service	100.00	100.00	100.00
MXBVI	MXHK	Sales and marketing	100.00	100.00	100.00
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00	100.00

Except for MXHK, the subsidiaries included in the consolidated financial statements are immaterial, and their financial statements have not been reviewed.

15. PROPERTY, PLANT AND EQUIPMENT

	For the Nine Months Ended September 30, 2018					
	Balance, Beginning of Period	**Additions**	**Disposals**	**Effect of Foreign Currency Exchange Differences**	**Reclassification**	**Balance, End of Period**
Cost						
Freehold land	$ 1,252,911	$ -	$ -	$ 16,832	$ -	$ 1,269,743
Buildings	24,472,226	-	3,162	(6,384)	315,860	24,778,540
Machinery equipment	85,198,564	-	379,615	-	1,371,894	86,190,843
Research and development equipment	3,229,384	1,190	40	(870)	519,036	3,748,700
Transportation equipment	23,224	2,020	8,294	(63)	7,080	23,967
Leasehold improvements	40,132	-	-	(398)	-	39,734
Miscellaneous equipment	1,157,900	5,396	6,871	(833)	23,721	1,179,313
Advance payments and construction in progress	2,587,750	3,644,575	-	14	(2,237,591)	3,994,748
	117,962,091	$ 3,653,181	$ 397,982	$ 8,298	$ -	121,225,588
Accumulated depreciation and impairment						
Freehold land	369,767	$ -	$ -	$ 9,505	$ -	379,272
Buildings	19,837,641	280,265	3,162	(1,687)	-	20,113,057
Machinery equipment	78,465,322	1,082,026	379,615	-	29,531	79,197,264
Research and development equipment	1,872,724	136,351	40	(692)	(29,531)	1,978,812
Transportation equipment	21,575	1,033	7,362	35	-	15,281
Leasehold improvements	37,191	939	-	(411)	-	37,719
Miscellaneous equipment	1,099,249	23,416	6,737	(739)	-	1,115,189
	101,703,469	$ 1,524,030	$ 396,916	$ 6,011	$ -	102,836,594
Carrying amount at September 30, 2018	$ 16,258,622					$ 18,388,994

	For the Nine Months Ended September 30, 2017						
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Consolidated Entity Change Effects	Reclassification	Balance, End of Period
Cost							
Freehold land	$ 1,307,700	$ -	$ -	$ (43,788)	$ -	$ -	$ 1,263,912
Buildings	24,387,886	-	1,214	(3,267)	-	75,285	24,458,690
Machinery equipment	82,761,938	-	417,954	-	-	2,788,388	85,132,372
Research and development equipment	5,971,627	4,312	52,303	(374)	(6,888)	(2,552,893)	3,363,481
Transportation equipment	24,990	-	2,650	(21)	-	900	23,219
Leasehold improvements	41,540	-	478	(867)	-	-	40,195
Miscellaneous equipment	1,148,741	3,194	28,291	(1,979)	(2,000)	28,444	1,148,109
Advance payments and construction in progress	385,626	1,473,136	-	(24)	-	(340,124)	1,518,614
	116,030,048	$ 1,480,642	$ 502,890	$ (50,320)	$ (8,888)	$ -	116,948,592
Accumulated depreciation and impairment							
Freehold land	400,705	$ -	$ -	$ (24,726)	$ -	$ -	375,979
Buildings	19,477,378	271,386	1,214	(607)	-	-	19,746,943
Machinery equipment	75,819,885	1,032,342	417,299	-	-	1,777,310	78,212,238
Research and development equipment	3,665,960	128,431	44,731	(319)	(6,080)	(1,777,310)	1,965,951
Transportation equipment	23,119	971	2,650	(19)	-	-	21,421
Leasehold improvements	34,366	3,776	478	(751)	-	-	36,913
Miscellaneous equipment	1,108,176	21,190	26,946	(1,794)	(1,813)	-	1,098,813
	100,529,589	$ 1,458,096	$ 493,318	$ (28,216)	$ (7,893)	$ -	101,458,258
Carrying amount at September 30, 2017	$ 15,500,459						$ 15,490,334

For the period ended September 30, 2018 and 2017, as there was no indication of any impairment loss, thus no impairment assessment was performed.

The carrying amount of the freehold land in the U.S.A. which was unutilized by the Group as of September 30, 2018, December 31, 2017 and September 30, 2017 was US$9,579 thousand for all period-ends.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Main buildings	21-40 years
Electronic equipment	11-20 years
Facility equipment	6-15 years
Landscape engineering	20 years
Machinery equipment	4-11 years
Research and development equipment	5-11 years
Transportation equipment	5-6 years
Leasehold improvements	3-16 years
Miscellaneous equipment	2-16 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 37.

16. INTANGIBLE ASSETS

	For the Nine Months Ended September 30, 2018				
	Balance, Beginning of Period	Additions	Disposals	Net Exchange Differences	Balance, End of Period
Cost					
Software	$ 89,003	$ 15,298	$ 24,892	$ (318)	$ 79,091
Licenses	4,743	-	4,743	-	-
Others	24,722	-	11,722	-	13,000
	118,468	$ 15,298	$ 41,357	$ (318)	92,091
Accumulated amortization and impairment					
Software	52,945	$ 17,101	$ 24,892	$ (268)	44,886
Licenses	4,743	-	4,743	-	-
Others	14,972	3,250	11,722	-	6,500
	72,660	$ 20,351	$ 41,357	$ (268)	51,386
Carrying amounts at September 30, 2018	$ 45,808				$ 40,705

	For the Nine Months Ended September 30, 2017					
	Balance, Beginning of Period	Additions	Disposals	Net Exchange Differences	Impairment Loss	Balance, End of Period
Cost						
Software	$ 166,776	$ 35,062	$ 114,286	$ (203)	$ -	$ 87,349
Licenses	10,739	-	5,994	-	-	4,745
Others	15,820	13,000	514	-	-	28,306
	193,335	$ 48,062	$ 120,794	$ (203)	$ -	120,400
Accumulated amortization and impairment						
Software	142,034	$ 19,105	$ 114,286	$ (199)	$ 1,331	47,985
Licenses	5,904	167	1,328	-	-	4,743
Others	15,573	2,261	513	-	154	17,475
	163,511	$ 21,533	$ 116,127	$ (199)	$ 1,485	70,203
Carrying amounts at September 30, 2017	$ 29,824					$ 50,197

Intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Software	1-6 years
Licenses	1-3 years
Others	1-3 years

17. PREPAYMENTS FOR LEASES

	September 30, 2018	December 31, 2017	September 30, 2017
Current assets (included in other current assets)	$ 502	$ 516	$ 515
Non-current assets (included in other non-current assets)	18,696	19,626	19,695
	$ 19,198	$ 20,142	$ 20,210

Prepaid lease payments include payments for land use rights for loans located in mainland China. The Group has obtained the land use right certificates.

18. OTHER FINANCIAL ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Non-current			
Restricted time deposits (Note 37)	$ 157,665	$ 134,231	$ 134,231
Refundable deposits	11,824	11,934	11,641
Long-term receivables	18,678	22,340	22,890
	$ 188,167	$ 168,505	$ 168,762

19. OTHER ASSETS

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Prepayments	$ 425,499	$ 180,825	$ 168,415
Offset against business tax payable	2,530	2,827	2,723
Prepayments for leases	502	516	515
	$ 428,531	$ 184,168	$ 171,653
Non-current			
Prepayments for leases	$ 18,696	$ 19,626	$ 19,695

20. BORROWINGS

Long-term borrowings

	September 30, 2018	December 31, 2017	September 30, 2017
Secured borrowings			
Loans from financial institutions	$ 7,450,411	$ 6,638,754	$ 7,627,643
Unsecured borrowings			
Loans from financial institutions	2,062,500	1,430,000	1,580,000
	9,512,911	8,068,754	9,207,643
Less: Current portion	1,985,593	3,178,666	8,233,416
Less: Arrangement fees	23,617	30,359	11,586
Long-term borrowings	$ 7,503,701	$ 4,859,729	$ 962,641
Interest rate ranges	1.23%-1.97%	1.48%-2.21%	1.48%-2.21%

	Repayment Terms	September 30, 2018	December 31, 2017	September 30, 2017
Secured syndicated loan denominated in NT$	From December 2017 to December 2022	$ 6,050,000	$ 5,300,000	$ -
Secured bank borrowings denominated in NT$	From September 2017 to September 2022	500,000	500,000	500,000
Unsecured bank borrowings denominated in NT$	From August 2017 to February 2019	262,500	350,000	350,000
Secured bank borrowings denominated in NT$	From January 2015 to January 2020	94,463	141,694	157,437
Secured bank borrowings denominated in NT$	From October 2013 to October 2018	50,000	200,000	250,000
Secured bank borrowings denominated in NT$	From December 2013 to December 2018	42,051	166,962	208,153
Secured bank borrowings denominated in JPY	From March 2014 to March 2019	13,897	34,098	41,677
Unsecured bank borrowings denominated in NT$	From September 2018 to December 2019	800,000	-	-
Secured bank borrowings denominated in NT$	From September 2018 to September 2021	700,000	-	-
Unsecured bank borrowings denominated in NT$	From September 2018 to September 2020	400,000	-	-
Unsecured bank borrowings denominated in NT$	From September 2018 to September 2021	300,000	-	-
Unsecured bank borrowings denominated in NT$	From September 2018 to September 2020	300,000	-	-

(Continued)

	Repayment Terms	September 30, 2018	December 31, 2017	September 30, 2017
Secured bank borrowings denominated in NT$	Paid off in December 2017	$ -	$ -	$ 800,000
Secured syndicated loan denominated in NT$	Paid off in December 2017	-	-	5,320,376
Unsecured bank borrowings denominated in NT$	Paid off in January 2018	-	210,000	280,000
Secured bank borrowings denominated in NT$	Paid off in February 2018	-	6,000	15,000
Unsecured bank borrowings denominated in NT$	Paid off in April 2018	-	70,000	150,000
Unsecured bank borrowings denominated in NT$	Paid off in August 2018	-	800,000	800,000
Secured bank borrowings denominated in NT$	Paid off in September 2018	-	290,000	335,000
Less: Current portion		1,985,593	3,178,666	8,233,416
Less: Arrangement fee		23,617	30,359	11,586
Total long-term borrowings		$ 7,503,701	$ 4,859,729	$ 962,641

(Concluded)

To repay the vested liabilities, to purchase equipment or machinery and to increase operating funds, the Group entered into a 5-year syndicated loan agreement with 7 financial institutions in November 2017 of which the total amount of the syndicated loan is NT$7.7 billion.

The Group had provided notes used as refundable guarantees for the above-mentioned syndicated loan that will be cancelled upon termination of the guarantee.

In addition, the Group’s floating borrowing rates on the above-mentioned borrowings are reset every one to three months.

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group’s semi-annual and annual consolidated financial statements. For the nine months ended September 30, 2018, the Group met the financial ratio covenants.

The details of assets pledged as collateral for long-term loans are set out in Note 37.

21. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Notes payable	$ -	$ 826	$ -
Trade payables	3,009,588	2,786,705	2,733,235
	$ 3,009,588	$ 2,787,531	$ 2,733,235

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER PAYABLES

	September 30, 2018	December 31, 2017	September 30, 2017
Payables for patents	$ 223,959	$ 180,449	$ 126,317
Payables for maintenance and repairs	201,120	181,744	153,467
Payables for bonuses	147,037	253,777	132,770
Payables for insurance premium	87,224	67,220	71,755
Payables for remuneration in lieu of unused paid-leave	74,952	56,167	54,260
Others	640,000	729,907	673,825
	$ 1,374,292	$ 1,469,264	$ 1,212,448

23. OTHER LIABILITIES

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Refund liabilities (Note 27)	$ 329,111	$ -	$ -
Receipts under custody	178,787	38,361	43,489
Others	15,136	55,085	51,439
	$ 523,034	$ 93,446	$ 94,928
Non-current			
Guarantee deposits	$ 9,934	$ 6,715	$ 3,865
Others	823	801	1,518
	$ 10,757	$ 7,516	$ 5,383

24. PROVISIONS

	September 30, 2018	December 31, 2017	September 30, 2017
Current			
Employee benefits (a)	$ 30,862	$ 60,185	$ 57,865
Customer returns and rebates (b) (c)	-	250,842	184,258
	$ 30,862	$ 311,027	$ 242,123

	Employee Benefits	Customer Returns and Rebates	Total
Balance at January 1, 2018	$ 60,185	$ 250,842	$ 311,027
Effect of retrospective application of IFRS 15	-	(250,842)	(250,842)
Additional provisions recognized	30,832	-	30,832
Reversal of un-used balance	(60,180)	-	(60,180)
Net exchange differences	25	-	25
Balance at September 30, 2018	$ 30,862	$ -	$ 30,862

a. The provision for employee benefits represents vested long service leave entitlements accrued.

b. The provision for customer returns and rebates was based on historical experience, management's judgment and other known reasons for estimated product returns and rebates that may occur in the period. The provision was recognized as a reduction of operating income in the period in which the related goods were sold.

c. Starting from 2018, the Group recognizes the estimation of sales returns and allowances as a refund liability upon initial application of IFRS 15. As of September 30, 2018, the refund liability in the amount of NT$329,111 is classified under other current liabilities.

25. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company and the subsidiary Mxtran adopted a pension plan under the Labor Pension Act (the LPA), which is a state-managed defined contribution plan. Under the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries in Hong Kong, the USA, Europe, Japan, Korea, Singapore and China are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

Employee benefits expense in respect of the Group's defined benefit retirement plans were NT$5,820 thousand and NT$5,616 thousand for the three months ended September 30, 2018 and 2017, respectively, and NT$17,461 thousand and NT$17,128 thousand for the nine months ended September 30, 2018 and 2017, respectively, and were calculated using the actuarially determined annual pension cost discount rates for the respective years ended December 31, 2017 and 2016.

The Group maintains a separate executive pension plan and the net periodic pension costs were NT$2,293 thousand and NT$2,849 thousand for the three months ended September 30, 2018 and 2017 and NT$6,880 thousand and NT$8,547 thousand for the nine months ended September 30, 2018 and 2017, respectively.

26. EQUITY

a. Share capital

Ordinary shares

	September 30, 2018	December 31, 2017	September 30, 2017
Numbers of shares authorized (in thousands)	6,550,000	6,550,000	6,550,000
Value of shares authorized	$ 65,500,000	$ 65,500,000	$ 65,500,000
Numbers of shares issued and fully paid (in thousands)	1,840,574	1,804,939	1,805,028
Value of shares issued	$ 18,405,740	$ 18,049,385	$ 18,050,281

Fully paid ordinary shares, which have a par value of NT$10, carry one vote per share and carry a right to dividends.

The Company resolved, in the shareholders' meeting held on May 26, 2017, a capital reduction for offsetting the accumulated deficit to improve the Company's financial structure. The capital reduction will amount to NT$18,651,070 thousand, representing 1,865,107 thousand shares and approximately 51% of the Company's original share capital. The reduction was approved by the FSC on June 26, 2017 and went into effect upon approval. Per the authority granted in the shareholders' meeting, the chairman of the Company determined June 29, 2017 as the base date for the capital reduction. After the reduction, the paid-in capital would be NT$18,058,953 thousand, equivalent to 1,805,895 thousand shares.

A total of 864,704 thousand shares and 650,000 thousand shares of the Company's authorized shares were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

	September 30, 2018	December 31, 2017	September 30, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Issuance of ordinary shares	$ -	$ -	$ 109,401
Donations	37	37	37
Treasury share transactions	6,422	6,422	6,422
	$ 6,459	$ 6,459	$ 115,860
May be used to offset a deficit only			
Changes in percentage of ownership interest in subsidiaries (2)	$ 4,609	$ 4,609	$ 4,609
Treasury share transactions	21,999	20,080	20,080
	$ 26,608	$ 24,689	$ 24,689
May not be used for any purpose			
Employee restricted shares	$ (178,823)	$ (238,236)	$ (366,397)

1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation, amended on May 26, 2017, state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit (until the amount of the legal reserve equals the amount of the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 28 (f).

The Company is classified under the capital intensive industry. In accordance with the long-term financial program of the Company, the above shareholders' dividends can be retained as undistributed earnings, and then distributed in future, as determined by the shareholders at the Annual General Meeting.

Distributions shall be prioritized to take the form of cash dividends. Nevertheless, it still depends on the Company's financial, sales or operating conditions. The Company's Articles of Incorporation state that no more than 50% of the current year's total amount of distributable earnings can be distributed in the form of share dividends.

The appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriation of earnings for 2017 were approved by the Company's shareholders in its meeting held on June 14, 2018. The appropriation and dividends per share are as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 541,360	
Special reserve	74,275	
Cash dividends	1,804,776	$ 1
Share dividends	360,955	0.2

The above-mentioned capital increase by retained earnings case was approved by the FSC on July 13, 2018 and after the base date was set to be September 1, 2018 by the board of directors, it was submitted to the Hsinchu Science Park for the approval of change registration.

d. Other equity items

1) Exchange differences on translating foreign operations

	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	$ (85,183)	$ (8,565)
Effect of retrospective application of IFRS 9	(146,758)	-
Exchange differences on translating foreign operations	71,675	(60,114)
Balance at September 30	$ (160,266)	$ (68,679)

2) Unrealized gain on available-for-sale financial assets

	Amount
Balance at January 1, 2017	$ 956,774
Unrealized gain on available-for-sale financial assets	323,790
Balance at September 30, 2017	$ 1,280,564
Balance at January 1, 2018 (IAS 39)	$ 1,731,234
Effect of retrospective application of IFRS 9	(1,731,234)
Balance at January 1, 2018 (IFRS 9)	$ -

3) Unrealized gain (loss) on financial assets at FVTOCI

	For the Nine Months Ended September 30, 2018
Balance at January 1 (IAS 39)	$ -
Effect of retrospective application of IFRS 9	112,903
Balance at January 1 (IFRS 9)	112,903
Unrealized loss on financial assets at FVTOCI	(418,774)
Other comprehensive income recognized in the period	(305,871)
Cumulative unrealized gain on the disposal of equity instruments transferred to retained earnings	99,070
Balance at September 30	$ (206,801)

4) Unearned employees' compensation

In the shareholders' meetings held on June 18, 2014 and June 16, 2016, the shareholders approved a restricted share plan for employees. Refer to Note 31 for the information on restricted shares issued.

	For the Nine Months Ended September 30	
	2018	**2017**
Balance at January 1	$ (85,600)	$ (306,958)
Share-based payment expenses recognized	56,058	179,717
Adjustments for changes in turnover rate	948	12,335
Balance at September 30	$ (28,594)	$ (114,906)

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2018	**2017**
Balance at January 1	$ 685	$ 1,686
Attributable to non-controlling interests:		
Net loss for the period	(78)	(454)
Exchange differences on translating foreign operations	1	(5)
Disposal of subsidiary	-	(456)
Invalidation of employee share options	(195)	-
Balance at September 30	$ 413	$ 771

f. Treasury shares

The Company's shares held by its subsidiaries at the end of the reporting period are as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
September 30, 2018			
Hui Ying	1,957	$ 159,061	$ 49,796
December 31, 2017			
Hui Ying	1,918	159,061	84,786
September 30, 2017			
Hui Ying	1,918	159,061	92,651

The Company's shares held by its subsidiaries are regarded as treasury shares; shareholders' rights are retained, except the rights to participate in any share issuance for cash and to vote.

The Company implemented a capital reduction on June 29, 2017, with 1,918 thousand treasury shares remaining after the reduction; refer to Note 26 (a) for the details.

27. REVENUE

a. Segmentation of revenue from contracts with customers

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Product Type		
Flash	$ 5,655,268	$ 18,623,597
ROM	3,787,651	7,328,926
Foundry	580,204	1,999,613
Others	7,127	19,571
	$ 10,030,250	$ 27,971,707

b. Contract balances

	September 30, 2018
Contract liabilities (classified as current liabilities)	$ 10,398

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of the performance obligations and the customer's payment.

The Company recognized revenue from the beginning balance of contract liabilities as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
From the beginning balance of contract liabilities		
Sale of goods	$ 2,051	$ 52,268

28. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Dividend income	$ 62,051	$ 47,493	$ 105,698	$ 86,724
Interest income	10,582	5,018	30,619	18,150
Others	20,160	18,394	26,771	24,681
	$ 92,793	$ 70,905	$ 163,088	$ 129,555

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Net foreign exchange gains (losses)	$ 100,644	$ 7,130	$ 206,147	$ (93,096)
Losses on disposal of financial instruments (Note 32)	-	5,357	-	(2,517)
Financial instruments at fair value through profit or loss	-	-	180	-
Impairment losses	-	-	-	(1,485)
Others	(5,171)	(2,956)	(10,651)	(10,957)
	$ 95,473	$ 9,531	$ 195,676	$ (108,055)

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Interest on loans	$ 38,230	$ 50,630	$ 117,182	$ 164,494
Other interest expense	-	-	1,223	18
Less: Amounts included in the cost of qualifying assets	(5,127)	(52)	(10,736)	(106)
	$ 33,103	$ 50,578	$ 107,669	$ 164,406

Information about capitalized interest is as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Capitalized interest	$ 5,127	$ 52	$ 10,736	$ 106
Capitalization rate	1.75%	0.90%	1.38%	0.90%

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of depreciation by function				
Operating costs	$ 445,284	$ 399,439	$ 1,288,444	$ 1,204,219
Operating expenses	82,561	82,360	235,586	253,877
	$ 527,845	$ 481,799	$ 1,524,030	$ 1,458,096

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
An analysis of amortization by function				
Operating costs	$ 1,811	$ 2,995	$ 6,992	$ 11,596
Operating expenses	4,675	3,625	13,359	9,937
	$ 6,486	$ 6,620	$ 20,351	$ 21,533

(Concluded)

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Post-employment benefits (Note 25)				
Defined contribution plans	$ 64,829	$ 62,695	$ 188,942	$ 181,484
Defined benefit plans	8,113	8,465	24,341	25,675
	72,942	71,160	213,283	207,159
Share-based payments				
Equity-settled	15,764	54,557	56,058	179,717
Other employee benefits	1,756,432	1,934,549	5,400,705	4,825,369
Total employee benefits expense	$ 1,845,138	$ 2,060,266	$ 5,670,046	$ 5,212,245
An analysis of employee benefits expense by function				
Operating costs	$ 845,955	$ 949,463	$ 2,606,835	$ 2,394,906
Operating expenses	999,183	1,110,803	3,063,211	2,817,339
	$ 1,845,138	$ 2,060,266	$ 5,670,046	$ 5,212,245

f. Employees' compensation and remuneration of directors

In compliance with the Articles of Incorporation on May 26, 2017, the Company accrued employees' compensation and remuneration of directors at rates of 15% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. For the three months ended September 30, 2018 and 2017 and the nine months ended September 30, 2018 and 2017, the estimated employees' compensation and remuneration of directors are as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Employees' compensation	$ 346,289	$ 383,733	$1,106,663	$ 531,729
Remuneration of directors	$ 46,172	$ 51,165	$ 147,555	$ 70,897

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

Due to the net loss for the year ended December 31, 2016, there was no accrual for compensation of employees and remuneration of directors. The Company's board of directors resolved on March 16, 2018, the estimated employees' compensation and remuneration of directors for 2017, which are as follows:

Amount

	For the Year Ended December 31	
	2017	**2016**
Employees' compensation	$ 997,202	$ -
Remuneration of directors	$ 132,960	$ -

There is no difference between the actual amount of the employees' compensation and remuneration of directors distributed for the years ended December 31, 2017 and 2016 and the respective recognized amounts in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Current tax				
In respect of the current period	$ 1,897	$ 4,926	$ 23,208	$ 12,151
Income tax on unappropriated earnings	-	-	184,257	-
Deferred tax				
In respect of the current period	17	28	(186,363)	180
Income tax expense recognized in profit or loss	$ 1,914	$ 4,954	$ 21,102	$ 12,331

According to the amended Income Tax Act in the ROC, the corporate income tax rate will be adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax assessments

The Company's income tax returns through 2015 have been assessed by the tax authorities.

30. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Basic earnings per share	$ 1.05	$ 1.18	$ 3.37	$ 1.64
Diluted earnings per share	$ 1.02	$ 1.15	$ 3.25	$ 1.59

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on September 1, 2018. The basic and diluted earnings per share adjusted retrospectively for the three months ended September 30, 2017 and for the nine months ended September 30, 2017 are as follows:

Unit: NT$ Per Share

	Before Retrospective Adjustment		After Retrospective Adjustment	
	For the Three Months Ended September 30, 2017	**For the Nine Months Ended September 30, 2017**	**For the Three Months Ended September 30, 2017**	**For the Nine Months Ended September 30, 2017**
Basic earnings per share	$ 1.20	$ 1.67	$ 1.18	$ 1.64
Diluted earnings per share	$ 1.18	$ 1.63	$ 1.15	$ 1.59

The income and weighted average number of ordinary shares outstanding used in the computation of earnings per share from continuing operations are as follows:

Net Income for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Income for the period attributable to owners of the Company	$ 1,916,130	$ 2,123,322	$ 6,125,524	$ 2,942,231

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Weighted average number of ordinary shares used in the computation of basic earnings per share	1,822,362	1,801,462	1,820,052	1,797,935
Effect of potentially dilutive ordinary shares:				
Restricted shares issued to employees	14,588	35,527	17,206	37,107
Employees' compensation or bonuses issued to employees	43,484	7,945	49,104	11,009
Weighted average number of ordinary shares used in the computation of diluted earnings per share	1,880,434	1,844,934	1,886,362	1,846,051

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

31. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Mxtran

Approved by the board of directors of Mxtran on August 12, 2011, Mxtran was authorized to issue 2,344 thousand units of employee share options. For each share option, the holder may subscribe for one new ordinary share of Mxtran. The options are valid for six years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in Mxtran's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options is as follows:

	For the Nine Months Ended September 30, 2017	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT$)
Balance at January 1	688	$ 10.00
Options cancelled	(688)	-
Balance at September 30	-	10.00

Options granted were priced using the Black-Scholes pricing model and the inputs to the model are as follows:

Grant-date share price (NT$)	$ 3.23
Exercise price (NT$)	10.00
Expected volatility	44.82%
Expected life (years)	4.25 years
Expected dividend yield	-
Risk-free interest rate	1.11%

For the nine months ended September 30, 2017, the compensation cost recognized was $0. As of September 30, 2017, the estimated percentages of forfeiture due to the termination of employment over the remaining vesting period was 0%.

b. Restricted share plan for employees

Information on the share plan for employees is as follows:

Approval Date	**Shares Granted (In Thousands)**	**Shares Granted by the Board of Directors (In Thousands)**	**Grant Date**	**Issued Date**	**Issued Shares (In Thousands)**	**Fair Value**
2014/06/18	123,251	38,365	2014/08/28	2014/12/25	37,301	$ 7.76
		62,213	2015/03/16	2015/07/22	61,279	6.82
2016/06/16	123,535	58,971	2016/10/25	2017/01/03	57,476	4.73

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

1) Remain employed by the Company within one year after the grant date; and has a performance rating of “successful” (or higher) for the current year - 40% of restricted shares will be vested;

2) Remain employed by the Company within two years after the grant date; and has a performance rating of “successful” (or higher) for the current year - 30% of restricted shares will be vested; and

3) Remain employed by the Company within three years after grant date; and has a performance rating of “successful” (or higher) for the current year - 30% of restricted shares will be vested.

In addition to the vesting conditions, the limitations are as follows:

1) Employees, except for inheritance, should not sell, transfer, pledge, donate or in any other way dispose of the shares;

2) The shares should be held in a share trust;

3) In addition to the above two conditions, the other rights of the restricted share plan for employees, which include, but are not limited to, dividends, bonuses, the distribution rights of the legal reserve and capital surplus, share options of cash capital voting rights of shareholders, etc., are the same as the Group’s issued ordinary shares; and

4) The dividends of the restricted share plan for employees are not restricted by existing conditions.

When employees do not reach the vesting conditions of the restricted share plan for employees during the year, the Company will recover and cancel the shares.

Information on the restricted share plan for employees is as follows:

	Number of Shares (In Thousands)	
	For the Nine Months Ended September 30	
	2018	2017
Balance at January 1	24,461	103,593
Vested	(8,070)	(21,783)
Forfeited (Notes i and ii)	(579)	(3,513)
Cancelled by capital reduction (Note iii)	-	(42,737)
Balance at September 30	15,812	35,560

Note i: The forfeited shares for the nine months ended September 30, 2018 consisted of 282 thousand shares that are not yet cancelled and 297 thousand shares that are already cancelled.

Note ii: The forfeited shares for the nine months ended September 30, 2017 consisted of 89 thousand shares that are not yet cancelled, 1,929 thousand shares that are already cancelled and 1,495 thousand shares representing the difference between granted and issued shares as of October 25, 2016.

Note iii: The number of shares cancelled in proportion to the capital reduction on June 29, 2017 was 42,737 thousand.

For the three months ended September 30, 2018 and 2017, the compensation costs recognized were NT$15,764 thousand and NT$54,557 thousand, respectively. For the nine months ended September 30, 2018 and 2017, the compensation costs recognized were NT$56,058 thousand and NT$179,717 thousand, respectively.

32. DISPOSAL OF SUBSIDIARIES

On March 22, 2017, INFOMAX filed for liquidation per the resolution reached in its shareholders' meeting; therefore, the Group has no control over INFOMAX as well as the subsidiaries of INFOMAX.

a. Analysis of assets and liabilities on the date control was lost

	March 22, 2017
Current assets	
Cash and cash equivalents	$ 3,892
Other receivables	365
Others	26,792
Non-current assets	
Property, plant and equipment	995
Current liabilities	
Other payables	(822)
Net assets disposed of	$ 31,222

b. Loss on disposal of subsidiary

	For the Nine Months Ended September 30, 2017
Fair value of interest retained	$ 22,889
Net assets disposed of	(31,222)
Non-controlling interests	459
Loss on disposal	$ (7,874)

33. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land, offices, employee dormitories and office equipment with lease terms between 1 and 50 years. The Group does not have a bargain purchase option to acquire the leased land, offices, employee dormitories and office equipment at the expiration of the lease periods.

The future minimum lease payments for non-cancellable operating lease commitments are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 91,051	$ 90,693	$ 84,780
1 - 5 years	313,940	294,905	306,160
Later than 5 years	771,252	757,101	774,551
	$ 1,176,243	$ 1,142,699	$ 1,165,491

The lease payments recognized in profit or loss for the current period are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Minimum lease payments	$ 36,316	$ 29,315	$ 103,064	$ 97,664

b. The Group as lessor

Operating leases relate to the sole building owned by the Group with lease terms between 2 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiration of the lease periods.

The future minimum lease revenue from non-cancellable operating leases are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Not later than 1 year	$ 265	$ 279	$ 563
1 - 5 years	92	291	726
	$ 357	$ 570	$ 1,289

34. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concern and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group's strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of the industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Group determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products.

The management of the Group periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Group implements a prudent strategy of risk management.

35. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	$ 1,376,454	$ -	$ -	$ 1,376,454
Securities listed in other countries	388,500	-	-	388,500
Securities unlisted in other countries	-	-	364,403	364,403
	$ 1,764,954	$ -	$ 364,403	$ 2,129,357

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity securities				
Securities listed in ROC	$ 1,411,374	$ -	$ -	$ 1,411,374
Securities listed in other countries	641,713	-	-	641,713
	$ 2,053,087	$ -	$ -	$ 2,053,087

September 30, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity securities				
Securities listed in ROC	$ 1,031,215	$ -	$ -	$ 1,031,215
Securities listed in other countries	572,221	-	-	572,221
	$ 1,603,436	$ -	$ -	$ 1,603,436

There were no transfers between Level 1 and Level 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial assets

For the nine months ended September 30, 2018

Financial Assets	Financial Assets at FVTOCI Equity Investments
Balance at January 1	$ 484,318
Total gain recognized in other comprehensive (unrealized gain on financial assets at FVTOCI)	(119,915)
Balance at September 30	$ 364,403
Unrealized loss	$ (119,915)

3) Valuation used in Level 3 fair value measurement

The fair values of equity securities listed in the ROC and other countries was arrived at using either the asset-based approach or based on the multiplier evaluated in the active market by the market approach and adjustments of liquidity.

c. Categories of financial instruments

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets			
Loans and receivables (i)	$ -	$ 14,672,113	$ 13,548,433
Available-for-sale financial assets (ii)	-	2,143,728	1,694,617
Financial assets measured at amortized cost (iii)	17,557,055	-	-
Financial assets measured at FVTOCI	2,129,357	-	-
Financial liabilities			
Financial liabilities measured at amortized cost (iv)	25,496,899	17,513,095	17,177,615

i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables (including receivables from related parties), other receivables, debt investments with no active market and other financial assets.

ii) The balances included the carrying amount of available-for-sale financial assets measured at cost.

iii) The balances included financial liabilities measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables (including receivables from related parties), other receivables and other financial assets.

iv) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), accrued employees' compensation and remuneration of directors, payables for purchases of equipment and long-term loans (including current portion).

d. Financial risk management objectives and policies

The Group manages its exposure to risks relating to the operations (market risk, credit risk, and liquidity risk) with the objective of reducing the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with the procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other price risk (see (c) below).

a) Foreign currency risk

The Group had foreign currency denominated sales and purchases, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

The sensitivity analysis of foreign currency risk focuses mainly on exchange rates for transactions in currencies other than the entity's functional currency (i.e. foreign currencies) which are recognized at the rates of exchange prevailing at the end of each reporting period.

The following table details the Group's sensitivity to a 3% and 10% increase in New Taiwan dollars (i.e. the functional currency) against the USD and JPY, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	USD Impact		**JPY Impact**	
	For the Nine Months Ended September 30		**For the Nine Months Ended September 30**	
	2018	**2017**	**2018**	**2017**
Pre-tax profit decrease (increase)	$ 63,539	$ 71,190	$(150,147)	$ 113,504

The Group's sensitivity analysis of the impact of the New Taiwan dollar fluctuating against the JPY showed a decrease for the nine months ended September 30, 2018, due to the increase in the purchase amount that resulted in an increase in the balance of accounts payable in foreign currencies at the end of the period.

b) Interest rate risk

The Group is exposed to interest rate risk from outstanding bank loans. Interest rates of the Group's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The sensitivity analysis of interest rates was performed based on the Group's exposure to changes in cash flows from floating rate borrowings at the end of financial reporting period.

If interest rates had been 50 basis points higher/lower, the Group's pre-tax profit for the nine months ended September 30, 2018 and 2017 would have decreased/increased by NT$35,673 thousand and NT$34,529 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity analysis

Sensitivity analysis of equity price is calculated based on the fair values of security investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the nine months ended September 30, 2018 and 2017 would have increased/decreased by NT$212,936 thousand and NT$160,344 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business-related and financial-related exposures.

Business-related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors which may affect the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions. The Group holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

As of September 30, 2018, December 31, 2017 and September 30, 2017, the Group's ten largest customers accounted for 59%, 51% and 63% of total trade receivables (including receivables from related parties), respectively. The Group believed the concentration of credit risk was relatively insignificant for the remaining trade receivables.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by the Corporate Treasury function. The Group only deals with creditworthy counterparties and banks, thus, no significant credit risk was identified.

3) Liquidity risk

The objective of liquidity risk management is to ensure that the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused financing facilities associated with existing operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual and undiscounted payments, including principal and estimated interest.

September 30, 2018

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 16,336,716	$ -	$ -	$ -	$ 16,336,716
Interest bearing	2,144,874	3,456,981	4,261,131	-	9,862,986
	$ 18,481,590	$ 3,456,981	$ 4,261,131	$ -	$ 26,199,702

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 9,464,112	$ -	$ -	$ -	$ 9,464,112
Interest bearing	3,315,848	2,691,562	2,398,833	-	8,406,243
	$ 12,779,960	$ 2,691,562	$ 2,398,833	$ -	$ 17,870,355

September 30, 2017

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing	$ 8,584,184	$ -	$ -	$ -	$ 8,584,184
Interest bearing	8,365,848	726,929	251,494	-	9,344,271
	$ 16,950,032	$ 726,929	$ 251,494	$ -	$ 17,928,455

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities were subject to change if changes in variable interest rates were to differ from those estimates of interest rates determined at the end of the reporting period.

36. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Company:

Related Party	Relationship with the Company
Modiotek Co., Ltd. (Modiotek)	Associates (Note)
MegaChips Corporation (MegaChips)	Key management personnel
Ardentec Corporation (Ardentec)	The Group is its major management authority
TM Technology, Inc. (TMTECH)	Others
Etron Technology, Inc. (Etron)	Others
Macronix Education Foundation (MXIC Education)	Others

Note: In the shareholders' meeting held on May 26, 2017, the decision for the liquidation of Modiotek and the election of its liquidator were resolved. The Group has hence lost significant influence over Modiotek and Modiotek's subsidiaries.

b. Operating revenue

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Sales	Key management personnel				
	MegaChips	$ 3,735,632	$ 3,464,769	$ 7,268,175	$ 6,075,619
	Others	572	270	604	683
	Associates	-	-	-	41
		$ 3,736,204	$ 3,465,039	$ 7,268,779	$ 6,076,343

Sales prices for the related parties were not comparable to those for external customers as the Group was the sole provider of these customers. The sales terms for the related parties were between 30 to 60 days after monthly closing, similar to those with external customers.

c. Purchases

Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017
Key management personnel				
MegaChips	$ 3,584,412	$ 1,599,192	$ 8,357,445	$ 4,137,289

Materials purchased from related parties were for the manufacturing process. The payment term was 30 days after monthly closing and after acceptance of materials.

d. Receivables from related parties

Line Item	Related Party Category/Name	September 30, 2018	December 31, 2017	September 30, 2017
Receivables from related parties, net	Key management personnel			
	MegaChips	$2,235,156	$ 732,888	$2,120,721
	Others	179	-	-
		$2,235,335	$ 732,888	$2,120,721

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2018 and 2017, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Item	Related Party Category/Name	September 30, 2018	December 31, 2017	September 30, 2017
Payables to related parties	Key management personnel			
	MegaChips	$ 9,163,020	$ 3,339,853	$ 3,668,300
	The Group is its major management authority	74,130	74,286	69,659
		$ 9,237,150	$ 3,414,139	$ 3,737,959
Other payables to related parties	Others			
	MXIC Education	$ -	$ -	$ 4,930

The outstanding trade payables from related parties are unsecured and will be settled in cash.

f. Other transactions with related parties

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2018	2017	2018	2017
Manufacturing expenses	The Group is its major management authority				
	Ardentec	$ 70,172	$ 65,903	$ 197,796	$ 183,166
Operating expenses	Others				
	MXIC Education	$ 5,342	$ 2,750	$ 16,026	$ 8,250
	Others	-	-	440	-
	Associates	-	-	-	1
		$ 5,342	$ 2,750	$ 16,466	$ 8,251
Software and patterns revenue	Associates				
	Modiotek	$ -	$ -	$ -	$ 330
Rental revenue	Associates				
	Modiotek	$ -	$ -	$ -	$ 963

The manufacturing expenses of related parties were comparable to those with other vendors. The payment term was 75 days after monthly closing.

The Group leases offices to associates (rentals are classified under other gains and losses). The amount of lease payments was based on the office space leased by each related party and was collected on a monthly basis.

Under certain contracts, the Group authorized the above related parties to use the Group's patterns and software. The specifically negotiated terms were not comparable to those with external customers.

g. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	**2017**	**2018**	**2017**
Short-term benefits	$ 194,980	$ 145,512	$ 495,997	$ 260,901
Post-employment benefits	2,293	2,849	6,880	8,551
Share-based payments	2,306	7,170	7,686	23,219
Other long-term employee benefits	36	129	(127)	62
	$ 199,615	$ 155,660	$ 510,436	$ 292,733

The remuneration of key executives was determined by the remuneration committee based on the performance of individuals and market trends.

37. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees, natural gas agreements, and land lease agreements.

	September 30, 2018	December 31, 2017	September 30, 2017
Property, plant and equipment, net	$ 11,704,970	$ 10,244,901	$ 10,581,438
Trade receivables	-	-	1,192,172
Pledged deposits (classified as other financial assets - non-current)	157,665	134,231	134,231
	$ 11,862,635	$ 10,379,132	$ 11,907,841

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2018 are as follows:

a. As of September 30, 2018, December 31, 2017 and September 30, 2017, unused letters of credit amounted to approximately NT$214,085 thousand, NT$405,485 thousand and NT$117,377 thousand, respectively.

b. Unrecognized commitments are as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Acquisition of property, plant and equipment	$ 1,092,676	$ 655,993	$ 1,724,568

c. The Group entered into the phase-change memory technology development agreement with IBM in January 2010, and the agreement is renewed every three years. Under the agreement, both parties share the related expenditures of technology development. The terms of the third agreement was applicable from January 2016 to January 2019.

d. In March 2017, the Company filed a complaint with the International Trade Commission and the U.S. District Court in the Southern District of California against Toshiba Corporation and its subsidiaries for infringement of the Company's U.S. patents. Toshiba Corporation ("Toshiba") subsequently filed a petition in the U.S. Patent Trial and Appeal Board for the Inter Partes Review of certain claims of U.S. Patent, No. 6788602 and No. 8035417, claiming that they were invalid. In October 2017, Toshiba also filed a complaint in Taiwan against the Company for infringement of its Taiwan patents. In November 2017, Toshiba filed a complaint in the Japan Patent Office for infringement of its Japan patents. In April 2018, the Company filed a complaint in the Taiwan Intellectual Property Court against Toshiba Corporation and its subsidiaries for infringement of the Company's patents. Regarding the aforementioned cases, both parties have settled, and have been announced in October 2018. (Please refer to at the Market Observation Post System website of the Taiwan Stock Exchange, http://mops.twse.com.tw/mops/web/t05st01)

39. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and the respective functional currencies are as follows:

September 30, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
JPY	$ 27,877,778	0.2692	$ 7,504,698
USD	133,250	30.53	4,067,456
			$ 11,572,154
Financial liabilities			
Monetary items			
JPY	33,455,288	0.2692	$ 9,006,164
USD	63,865	30.53	1,949,479
			$ 10,955,643

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
JPY	$ 14,757,728	0.2642	$ 3,898,992
USD	188,955	29.76	5,623,301
			$ 9,522,293
Financial liabilities			
Monetary items			
JPY	13,423,969	0.2642	$ 3,546,613
USD	69,526	29.76	2,069,094
			$ 5,615,707

September 30, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Financial assets			
Monetary items			
JPY	$ 18,789,509	0.2691	$ 5,056,257
USD	121,849	30.26	3,687,151
			$ 8,743,408
Financial liabilities			
Monetary items			
JPY	14,571,594	0.2691	$ 3,921,216
USD	43,429	30.26	1,314,162
			$ 5,235,378

For the three and nine months ended September 30, 2018, realized and unrealized net foreign exchange gains were NT$100,644 thousand and NT$206,147 thousand, respectively. For the three and nine months ended September 30, 2017, realized and unrealized net foreign exchange gains (losses) were NT$7,130 thousand and NT$(93,096) thousand, respectively. It is impractical to disclose net foreign exchange gains and losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

40. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

a. Financing provided to others: None

b. Endorsements/guarantees provided: None

c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures): Table 1 (attached)

d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None

e. Acquisitions of individual real estate at costs of at least NT $300 million or 20% of the paid-in capital: None

f. Disposals of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital: None

g. Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 2 (attached)

h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

i. Trading in derivative instruments: None

j. Intercompany relationships and significant intercompany transactions: Table 4 (attached)

k. Information on investees: Table 5 (attached)

l. Information on investments in mainland China

   1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains or losses, and limit on the amount of investment in the mainland China area: Table 6 (attached)

   2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: Table 4 (attached)

41. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and the assessment of segment performance emphasizes on the types of goods or services delivered or provided. Considering the nature of the product and the manufacturing process, the management integrated those divisions of similar operation functions into one operating segment. The reporting segments of the Group are as follows:

Memory products and wafer fabrication
IC design

There was no material difference between the accounting policies of the reportable segment and those described in Note 4.

a. Segment revenue and results

The following is an analysis of the Group’s revenue and results from continuing operations by reportable segment.

	Segment Net Operating Revenue				Segment Income (Loss) from Continuing Operations and Net Income (Loss)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30		For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2018	2017	2018	2017	2018	2017	2018	2017
Memory products and wafer fabrication	$ 10,026,556	$ 10,466,230	$ 27,963,734	$ 23,628,808	$ 1,762,285	$ 2,103,609	$ 5,892,908	$ 3,105,086
IC design	3,694	1,052	7,973	11,436	628	(5,474)	2,545	(8,072)
Total	$ 10,030,250	$ 10,467,282	$ 27,971,707	$ 23,640,244	1,762,913	2,098,135	5,895,453	3,097,014
Other income					92,793	70,905	163,088	129,555
Other gains and losses					95,473	9,531	195,676	(108,055)
Finance costs					(33,103)	(50,578)	(107,669)	(164,406)
Income before tax (from continuing operations)					$ 1,918,076	$ 2,127,993	$ 6.146,548	$ 2,954,108

b. Segment total assets and liabilities

	September 30, 2018	December 31, 2017	September 30, 2017
Segment assets			
Memory products and wafer fabrication	$ 55,523,016	$ 43,016,576	$ 40,182,266
IC design	11,867	11,155	12,836
Total segment assets	55,534,883	43,027,731	40,195,102
Uncollected assets	1,372,193	1,166,168	1,165,439
Consolidated total assets	$ 56,907,076	$ 44,193,899	$ 41,360,541
Segment liabilities			
Memory products and wafer fabrication	$ 18,139,836	$ 11,495,026	$ 10,452,776
IC design	3,861	2,093	2,106
Total segment liabilities	18,143,697	11,497,119	10,454,882
Uncollected liabilities	9,682,001	8,040,433	9,201,203
Consolidated total liabilities	$ 27,825,698	$ 19,537,552	$ 19,656,085

For the purposes of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and

2) All liabilities were allocated to reportable segments other than borrowings and other financial liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

TABLE 1

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	September 30, 2018				Shares as Collateral
				Shares/Units (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Fair Value	
The Company	Shares							
	Ardentec Corporation	The Company serves as member of its board of directors	Financial assets at FVTOCI - non-current	35,951,871	$ 1,312,243	7.33	$ 1,312,243	None
	United Industrial Gases Co., Ltd.	None	〃	6,671,877	298,500	3.06	298,500	None
	Aetas Technology Inc.	None	〃	145,850	-	0.29	-	None
	Zowie Technology Co., Ltd.	None	〃	20,426	-	0.14	-	None
	Quality Test System Inc.	None	〃	4,538,333	-	14.64	-	None
MXBVI	Shares							
	Chipbond Technology Corporation	None	Financial assets at FVTOCI - non-current	1,088,319	64,211	0.17	64,211	None
	Tower Semiconductor Ltd.	None	〃	584,893	388,500	0.58	388,500	None
	Global Strategic Investment Fund (Cayman)	None	〃	490,000	15,854	2.52	15,854	None
	Global Strategic Investment Fund (Samoa)	None	〃	1,739,783	22,306	4.90	22,306	None
Hui Ying	Shares							
	Macronix International Co., Ltd.	The Company	Financial assets at FVTOCI - non-current	1,956,619	49,796	0.11	49,796	None
	Raio Technology Co., Ltd.	None	〃	1,165,690	27,743	10.14	27,743	None

TABLE 2

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Sale	$ 7,268,175	26	30 days after monthly closing	Note 36	Note 36	$ 2,235,156	35	-
	MXHK	Indirect subsidiary	Sale	4,225,620	15	45 days after monthly closing	Note 36	Note 36	475,763	7	-
	MXA	Subsidiary	Sale	1,080,789	4	Net 60 days	Note 36	Note 36	168,954	3	-
	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Purchase	8,357,445	60	30 days post acceptance month's closing	Note 36	Note 36	9,163,020	75	-
MXHK	The Company	Indirect subsidiary	Purchase	US$ 142,124	100	45 days after monthly closing	No material difference	No material difference	US$ 15,588	100	-
MXA	The Company	Subsidiary	Purchase	US$ 36,230	100	Net 60 days	No material difference	No material difference	US$ 5,535	400	-

TABLE 3

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	$ 2,235,156	6.53 times	$ -	-	JPY 7,052,161 thousand	$ -
	MXHK	Indirect subsidiary	475,763	7.20 times	-	-	US$ 9,096 thousand	-
	MXA	Subsidiary	168,954	7.45 times	-	-	US$ 3,620 thousand	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
			Financial Statement Account	Amount	Payment Terms	% of Total Revenue or Assets
MXIC	MXHK	1	Sales	$ 4,225,620	Note 2	15
			Net receivables from related parties	475,763		1
	MXE	1	Operating expenses	110,964		-
			Other payables from related parties	53,547		-
	MXA	1	Sales	1,080,789	Note 2	4
			Operating expenses	176,307		1
			Net receivables from related parties	168,954		-
			Other payables from related parties	87,669		-
	Mxtran	1	Rental revenue	326	Note 3	-
	MX Asia	1	Operating expenses	72,642		-
			Other payables from related parties	24,339		-
MXHK	MXm	3	Operating expenses	193,276		1

Note 1: The transactions from the parent company to the subsidiary are denoted as 1.
The transactions from the subsidiary to the parent company are denoted as 2.
The transactions between two subsidiaries are denoted as 3.

Note 2: The sales price refers to the product price to the end customer.

Note 3: The Company leased offices to related parties and collected rental revenue according to the floor space per month.

Note 4: The transaction terms with related parties were 30 to 60 days after monthly closing and were similar to those with third parties.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2018	December 31, 2017	Shares	%	Carrying Amount			
The Company	MXA	San Jose, California, U.S.A.	Sales and marketing	$ 2,640	$ 2,640	100,000	100.00	$ 137,207	$ 37,400	$ 37,400	Subsidiary
	MXBVI	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	212,048,000	100.00	1,986,756	91,103	91,103	Subsidiary
	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	60,582	8,341	6,422	Subsidiary
	Run Hong	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	13,891	(78)	(78)	Subsidiary
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and related services	755,287	755,287	69,627,323	90.43	7,238	(1,505)	(1,361)	Subsidiary
MXBVI	NTTI	San Jose, California, U.S.A.	IC design	874,418	874,418	26,600,000	100.00	293,957	(2,602)	Note	Subsidiary
	MXE	Belgium	After-sales service	2,106	2,106	999	100.00	117,178	6,503	Note	Subsidiary
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	19,079	781	Note	Subsidiary
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	757,525	77,320	Note	Subsidiary
	MX Asia	Cayman Island	Investment holding company	26,325	26,325	700,000	100.00	62,383	3,418	Note	Subsidiary
Run Hong	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and related services	40,318	40,318	3,393,200	4.41	353	(1,505)	Note	Subsidiary
Mxtran	Mxtran Samoa	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	1,050	1	Note	Subsidiary
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	447	-	Note	Subsidiary

Note: Under relevant regulations, no disclosure of investment gain (loss) is needed.

TABLE 6

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investments from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investments from Taiwan as of September 30, 2018	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2018	Accumulated Repatriation of Investment Income as of September 30, 2018
					Outward	Inward						
MXm	Development of integrated circuit system and software	$ 296,160	MXHK (Note 2)	$ 296,160	$ -	$ -	$ 296,160	$ 13,272	100	$ 13,272	$ 368,607	$ -

Accumulated Outward Remittance for Investments in Mainland China as of September 30, 2018	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Investment Amounts Stipulated by the Investment Commission, MOEA
$ 296,160	$ 296,160	Note 3

Note 1: The amount was recognized based on the unreviewed financial statements of the investee company.

Note 2: The Company invested in a company located in mainland China indirectly through a company in a third country.

Note 3: As the Company has obtained the certificate of being qualified for operating headquarters issued by the Industrial Development Bureau, MOEA, in March 2017, the upper limit on Investments in mainland China pursuant to "Principle of Investment or Technical Cooperation in Mainland China" is not applicable.